

UTHUNGULU



uThungulu District Municipality

Annual Financial Statements

for the year ended 30 June 2008

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uThungulu District Municipality

Annual Financial Statements for the year ended 30 June 2008

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Report of the Auditor-General

To be inserted by Auditor - General

Auditor General

28 November 2008

uThungulu District Municipality

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Statement of Municipal Manager's Responsibility

I am responsible for the preparation of these annual financial statements, which are set out on pages 4 - 31, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 23 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



S. B. Biyela

Municipal Manager

Richards Bay, 29 August 2008

uThungulu District Municipality

Annual Financial Statements for the year ended 30 June 2008

Statement of Financial Position

as at 30th June 2008

Figures in Rand	Note(s)	2008	2007
Net Assets and Liabilities			
Net Assets			
Government grant reserve		191,020,763	134,598,549
Donations and public contribution reserves		3,763,443	3,784,826
Accumulated Surplus		222,060,072	229,245,443
		416,844,278	367,628,818
Non-Current Liabilities			
Long-term liabilities	2	43,141,133	41,531,545
Non-current provisions	4	49,927,627	17,356,981
		93,068,760	58,888,526
Current Liabilities			
Consumer deposits	5	4,421,571	3,788,952
Provisions	4	1,411,123	1,265,209
Trade Creditors	6	54,252,886	36,476,167
Unspent conditional grants and receipts	7	101,172,274	59,929,474
Current portion of long-term liabilities	2	-	41,556
		161,257,854	101,501,358
Total Net Assets and Liabilities		671,170,892	528,018,702
Assets			
Non-Current Assets			
Property, plant and equipment	9	372,013,078	281,871,028
Investments	10	15,077,902	13,497,398
Long-term receivables	11	1,542,448	2,101,256
		388,633,428	297,469,682
Current Assets			
Inventories	12	3,086,198	1,884,750
Consumer debtors	13	12,237,149	13,476,017
Other debtors	14	8,349,118	4,978,624
Current portion of long-term receivables	11	258,004	335,394
VAT	8	17,921,635	9,492,631
Call investment deposits	15	190,000,000	170,000,000
Bank balances and cash	16	50,685,360	30,381,604
		282,537,464	230,549,020
Total Assets		671,170,892	528,018,702

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Annual Financial Statements for the year ended 30 June 2008

Statement of Financial Performance

Figures in Rand	Note(s)	2008	2007
Revenue			
Regional Services Levies - turnover		846,594	10,434,246
Regional Services Levies - remuneration		384,376	3,800,369
Service charges	17	30,277,691	26,133,058
Rental income		317,696	609,773
Government grants and subsidies	18	244,256,711	217,744,283
Interest earned - external investments	20	26,562,568	17,967,627
Interest earned - outstanding debtors	20	311,162	452,844
Other income	19	5,916,154	5,198,134
Total revenue		308,872,952	282,340,334
Expenditure			
Employee related costs	22	(49,998,934)	(40,217,363)
Remuneration of councillors	23	(4,740,110)	(4,415,087)
Bad debts		(3,066,528)	(172,314)
Depreciation, amortisation and impairments		(10,966,372)	(9,386,416)
Repairs and maintenance		(24,576,672)	(35,497,541)
Finance cost	24	(7,856,385)	(7,541,376)
Bulk purchases	25	(11,894,756)	(7,295,953)
Contracted services		(40,991,819)	(37,237,648)
Grants and subsidies paid	26	(1,514,515)	(1,284,500)
General expenses	27	(103,995,820)	(67,683,204)
Loss on disposal of property, plant and equipment	21	(55,581)	(75,943)
Total Expenditure		(259,657,492)	(210,807,345)
Surplus for the year		49,215,460	71,532,989

Refer to Appendix E(1) for the comparison with the approved budget

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Statement of Changes in Net Assets

	Government grant reserve	Donations and public contribution reserves	Total reserves	Accumulated Surplus	Total
Figures in Rand					
2006					
Balance at 01 July 2006	92,209,428	192,979	92,402,407	203,693,422	96,095,829
Capital grants used to purchase property, plant & equipment	44,178,957		44,178,957	(44,178,957)	-
Donated/contributed PPE		3,613,230	3,613,230	(3,613,230)	-
Offsetting of backlog depreciation	(1,789,836)	(21,383)	(1,811,219)	1,811,219	-
Balance	42,389,121	3,591,847	45,980,968	157,712,454	296,095,829
Surplus for the year			-	71,532,989	71,532,989
Balance at June 30, 2007	134,598,549	3,784,826	138,383,375	229,245,443	367,628,818
2007					
Balance at 01 July 2007	134,598,549	3,784,826	138,383,375	229,245,443	367,628,818
Capital grants used to purchase property, plant & equipment	58,086,958		58,086,958	(58,086,958)	-
Other 2			-		-
Offsetting of depreciation	(1,664,744)	(21,383)	(1,686,127)	1,686,127	-
Surplus for the year				49,215,460	49,215,460
Balance at 30 June 2008	191,020,763	3,763,443	194,784,206	222,060,072	416,844,278

uThungulu District Municipality

Annual Financial Statements for the year ended 30 June 2008

Cash Flow Statement

Figures in Rand	Note(s)	2008	2007
Cash flows from operating activities			
Sales of goods and services		31,826,357	36,711,001
Grants		244,256,711	203,218,080
Other receipts		42,016,381	33,508,243
Employee costs		(54,739,044)	(45,310,814)
Suppliers		(142,166,336)	(154,011,652)
Cash generated from operations	28	121,194,069	74,114,858
Interest income		26,873,730	18,420,471
Interest paid		(7,856,385)	(7,541,376)
Net cash from operating activities		140,211,414	84,993,953
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(101,164,003)	(70,599,972)
Proceeds from disposal of property plant and equipment		-	73,292
Increase in non-current investments		(1,580,504)	(1,411,175)
Decrease in non-current receivables		636,198	958,359
Net cash from investing activities		(102,108,309)	(70,979,496)
Cash flows from financing activities			
Net movement on other financial liabilities		1,568,032	1,513,843
Increase in consumer deposits		632,619	3,006,716
Net cash from financing activities		2,200,651	4,520,559
Net (decrease) / Increase in cash and cash equivalents		40,303,756	18,535,016
Cash and cash equivalents at the beginning of the year		200,381,604	181,846,588
Cash and cash equivalents at the end of the year	29	240,685,360	200,381,604

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Annual Financial Statements for the year ended 30 June 2008

Accounting Policies

1. Basis of Presentation

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance in terms of Government Notice 991 and 992 of 2005.

The standards comprise the following:

Presentation of Financial Statements (Preface to GRAP Statements) (GRAP 1)

Cash flow statements: (GRAP 2)

Accounting policies, Changes In Accounting Estimates and Errors: (GRAP 3)

Effects of changes in foreign exchange rates: (GAMAP 4)

Consolidated Financial Statements and Subsidiaries (GAMAP 6)

Investments in associates: (GAMAP 7)

Joint ventures: (GAMAP 8)

Revenue (GAMAP 9)

Inventories: (GAMAP 12)

Property, plant and equipment: (GAMAP 17)

Provisions, contingent liabilities and assets: (GAMAP 19)

GAMAP 6,7 and 8 have been compiled to the extent that the requirements in these standards relate to the municipality's separate financial statements.

Accounting policies for material transactions, events or conditions not covered by the above GRAP and GAMAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

The Minister of Finance has, in terms of Government Notice 552 of 2007 exempted compliance with certain of the above mentioned standards and aspects or parts of these standards. Details of the exemptions applicable to the municipality have been provided in the notes to the annual financial statements.

The municipality has taken advantage of all applicable exemptions except for IAS 20, Accounting for Government Grants and disclosure of government assistance, as approved by National Treasury.

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are disclosed below.

In accordance with Government Gazette 30013, the Municipality has taken advantage of all applicable exemptions except for IAS 20, Accounting for Government Grants and disclosure of government assistance, as approved by National Treasury.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GAMAP or GRAP.

1.1 Presentation of currency

These annual financial statements are presented in South African Rand.

1.2 Going concern assumption

These annual financial statements have been prepared on a going concern basis.

1.3 Reserves

1.3.1 Government Grant Reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/(deficit) to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance In accordance with a directive (MFMA circular 18) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant

uThungulu District Municipality

Annual Financial Statements for the year ended 30 June 2008

Accounting Policies

Reserve to the accumulated surplus/(deficit). The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit)

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/(deficit).

1.3.2 Donations and Public Contributions Reserve

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus/(deficit) to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular 18) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus/(deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions.

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the accumulated surplus/(deficit).

1.4 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:

- It is probable that future economic benefits associated with the item will flow to the municipality; and
- The cost of the item can be measured reliably.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it.

Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met.

Assets at cost

Infrastructure assets are stated at cost, less accumulated depreciation, except land and buildings and assets in construction.

Other assets are stated at cost, less accumulated depreciation and impairment. Where the carrying amount of an item of other assets is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

The municipality has adopted the transitional provisions of GAMAP 17 which allows for the municipality to itemise all infrastructure assets for inclusion in the fixed asset register.

Depreciation is provided on property, plant and equipment other than freehold land and buildings and infrastructure assets in construction, to write down the cost, by equal instalments over their useful lives. Depreciation only commences when the asset is brought into use. The annual depreciation rates are based on the following estimated useful lives;

Infrastructure	
• Electricity	20 years
• Water	5-20 years
• Sewerage	5-20 years
• Landfill sites	5 years
Other assets	
• Motor vehicles	5 - 7 years
• Computer Equipment	3-5 years
• Furniture, fittings and office equipment	7-10 years

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial

uThungulu District Municipality

Annual Financial Statements for the year ended 30 June 2008

Accounting Policies

Performance.

The Municipality has an obligation to rehabilitate its landfill sites in terms of its licence stipulations. Provision is made for this obligation in accordance with the Municipality's accounting policy on non-current provisions – see Accounting Policy 1.12 on Provisions.

1.5 Financial Instruments

Initial recognition

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial assets and financial liabilities are recognised on the municipality's balance sheet when the municipality becomes party to the contractual provisions of the instrument.

Financial assets are recognised initially at fair value.

Subsequent measurement

After initial recognition financial assets are measured as follows:

Held to maturity investments

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

Loans and receivables

Are measured at amortised cost using the effective interest method

Gains and losses

A gain or loss arising from a change in a financial asset or liability is recognised as follows:

- A gain or loss on a financial asset or liability when classified at fair value is recognised in the statement of financial performance.
- Financial assets and financial liabilities carried at amortised cost: a gain or loss is recognised in the statement of financial performance when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

1.6 Tax

Tax expenses

No provision has been made for taxation as the municipality is exempt from taxation in terms of section 10(1)(a) of the Income Tax Act.

1.7 Inventories

Consumable stores, finished goods and purified water are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the first-in, first-out method.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

1.8 Other debtors

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method. Subsequent provision is made for the impairment of these receivables. A provision for impairment of trade receivables is considered for all debtors greater than 90 days, with the exception of national, provincial and local government debtors, which are all considered recoverable in full.

uThungulu District Municipality

Annual Financial Statements for the year ended 30 June 2008

Accounting Policies

The movement in bad debt provision and fair value adjustments is recognised in the statement of financial performance.

Debtors originated by the municipality are treated as long term receivables and initially recognised at fair value and subsequently carried at amortised cost.

1.9 Trade Creditors

Trade creditors are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method.

1.10 Revenue Recognition

1.10.1 Revenue from Exchange Transactions

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly and quarterly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the Invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale.

Service charges relating to refuse are recognised on a monthly basis in arrears and on a cash basis by applying the approved tariff to each consumer that uses the solid waste site.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Interest and rentals are recognised on a time proportion basis.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognised.

1.10.2 Revenue from non-exchange transactions

Revenue from Regional Levies, both those based on turnover as well as those based on remuneration, is recognised on the payment due basis. Estimates are reviewed regularly to ensure that average data is appropriate.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

1.11 Conditional Grants and Receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.12 Provisions

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate.

Provision for the rehabilitation of the refuse landfill site is determined at best estimate by the consulting engineers.

uThungulu District Municipality

Annual Financial Statements for the year ended 30 June 2008

Accounting Policies

1.13 Bank balances and cash

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of four months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments.

1.14 Unauthorised Expenditure

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.15 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.16 Fruitless and Wasteful Expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.17 Comparatives Information

1.17.1 Current year comparatives

Budgeted amounts have been included in the annual financial statements for the current financial year only in Appendix E1 & E2.

1.17.2 Prior year comparatives

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

1.18 Investments

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the municipality's management has the positive intention and ability to hold to maturity, and are included in non-current assets, except for those with maturities within 12 months from the statement of financial position date which are classified as current assets. Held to maturity investments are subsequently carried at amortised cost using the effective interest method less any accumulated impairment loss. Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

1.19 The Municipality as Lessee

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Annual Financial Statements for the year ended 30 June 2008

Accounting Policies

Headleases

The headlease in which the Municipality would have a controlling interest in the property at the end of the lease is classified as a finance lease.

Finance headleases

Headlease asset, where part of finance headlease, is capitalised as other assets - property at cost and a corresponding liability is raised. Land is not depreciated.

Operating Leases

Payments made under operating leases that are contingent rentals are charged to the statement of financial performance in the period in which they occur.

1.20 Retirement Benefits

Defined benefit plans

The municipality provides retirement benefits for its employees. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued triennially according to the Discounted Cash Flow and Discontinuance Method Approach.

The assets of the plans are held by independently managed trust funds. These funds are governed by the South African Pension Fund Act of 1956. The defined benefit plans are multi-employer plans, where sufficient information is not available to account for them as defined benefit plans; they are in substance accounted for as defined contribution plans.

Defined contribution plans

The municipality provides retirement benefits for its employees. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The defined contribution funds, which are administered on a provincial basis, are actuarially valued triennially according to the Discounted Cash Flow and Discontinuance Method Approach.

1.21 Borrowing costs

Borrowing costs are recognised as an expense in the Statement of Financial Performance.

1.22 Events after balance sheet date

Recognised amounts in the financial statements are adjusted to reflect events arising after the balance sheet date that provide evidence of conditions that existed at the balance sheet date. Events after the balance sheet date that are indicative of conditions that arose after the balance sheet date are dealt with by way of a note.

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Annual Financial Statements for the year ended 30 June 2008

Notes to the annual financial statements

Figures in Rand	2008	2007
2. Long-term liabilities		
Non-current liabilities portion of loans		
INCA 2	21,000,000	21,000,000
The loan was taken to finance the purchase and development of the regional solid waste site. The loan is repayable over a 15 year period. Interest at 13.95% is paid 6 monthly in arrears on the last day of the month. The final payment of R 21 million is due December 2015. A zero coupon from INCA has been taken out to repay this loan.		
Obligation under finance headlease	22,141,133	20,531,545
The finance headlease payments represent payments by the Municipality for a headlease property in which the Municipality has a controlling interest at the end of the lease through uThungulu Financing Partnership and consist of a lease over Portion 2 of ERF 10033 Richards Bay, 2 Haiti, Central Business District, known as uThungulu House. The original lease period expires on 31 October 2017, however uThungulu had the option to terminate the lease on 30 April 2008, either way ownership of the property will vest with uThungulu on the termination of the lease. Interest of 23,81 % is paid 6 monthly in advance on the last day of the month.		
Current portion transferred to current liabilities		
Annuity Loans	-	41,556
Sub-total	43,141,133	41,573,101
Non-current liabilities		
Total long term portion	43,141,133	41,531,545
Current liabilities		
Total current portion	-	41,556

Refer to Appendix A for more detail on long-term liabilities.

Details of the repayment terms of the obligations and the related interest rates are set out in Appendix A. The asset encumbered to secure the loans is detailed in note 9.

3. Retirement benefits

Defined benefit plan

Certain members of staff belong to the multi-employer Natal Joint Municipal Pension Fund or the Natal Joint Municipal Pension Fund (Superannuation). In practice the valuer conducts a statutory valuation on a triennial basis and an interim valuation on an annual basis.

The statutory valuation of the Natal Joint Municipal Pension Fund for the period ending 31st March 2006 indicated a deficit of R 141 million in respect of active members and pensioners. However the funds' rule amendment limiting future increases in pensionable emoluments and the surcharge of 14% of pensionable emoluments from 1 July 2006 would enable the deficit to be eliminated 1 July 2010..

The interim valuation of the of the Natal Joint Municipal Pension Fund (Superannuation) for the period ending 31st March 2006 indicated a Surplus of R 210 million in respect of pensioners and a deficit of R 88 million in respect of members. In order to meet this deficit the fund has been levying a surcharge of 6% payable from 1 July 2006 until 30 June 2008.

Defined contribution plan

uThungulu District Municipality

Annual Financial Statements for the year ended 30 June 2008

Notes to the annual financial statements

Figures in Rand

2008

2007

3. Retirement benefits (continued)

Certain staff members belong to the Kwa-Zulu Natal Joint Municipal Provident Fund. In practice the valuer conducts a statutory valuation on a triennially basis, and an interim valuation on annual basis.

The statutory valuation of the fund for the year ending 31 March 2006 indicated a surplus of R 46,638 million. This valuation indicated that the fund is in sound financial position.

In accordance with Government Notice 552 of 2007, exemption has been granted of Standard IAS 19. The extent of the exemption is as follows:

Defined benefit accounting as far as it relates to defined benefit plans accounted for as defined contribution plans and the defined benefit obligation disclosed by narrative information.[paragraphs 29, 48 – 119, 120A(c)-(q)]

The municipality endeavours to comply with the standard by 30 June 2009.

4. Provisions

Reconciliation of provisions - 2008

	Opening Balance	Contributions to provision	Expenditure incurred	Total
Reclamation of refuse landfill site	17,069,498	32,350,060	-	49,419,558
Long-service	287,483	220,586	-	508,069
Performance bonus	562,773	597,006	(444,415)	715,364
Current portion of long-service provision	702,436	(6,677)	-	695,759
	18,622,190	33,160,975	(444,415)	51,338,750

Reconciliation of provisions - 2007

	Opening Balance	Contributions to provision	Expenditure incurred	Total
Reclamation of refuse landfill site	17,069,498	-	-	17,069,498
Long-service	315,375	(27,892)	-	287,483
Performance bonus	535,975	548,019	(521,221)	562,773
Current portion of long-service provision	922,976	442,631	(663,171)	702,436
	18,843,824	962,758	(1,184,392)	18,622,190

	2008	2007
Non-current provisions	49,927,627	17,356,981
Provision for long-service	508,069	287,483
Reclamation of refuse landfill site	49,419,558	17,069,498
Current provisions	1,411,123	1,265,209
Current portion of long service leave provision	695,759	702,436
Performance bonus	715,364	562,773
Total Provisions	51,338,750	18,622,190

The long-service award is payable after every 5 years of continuous service. The provision is an estimate of the long-service based on historical staff turnover.

Performance bonuses are paid one year in arrears as the assessment of eligible employees had not taken place at the reporting date.

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Annual Financial Statements for the year ended 30 June 2008

Notes to the annual financial statements

Figures in Rand	2008	2007
4. Provisions (continued)		
In terms of the licencing of the landfill refuse sites, council will incur rehabilitation costs of R 49 million to restore the old Empangeni and Cell 1 refuse sites at the end of their useful life, estimated to be in 2011. Provision has been made at best estimate determined by the consulting engineers at a cost for the current solid waste site (Cell 1) and the Old Empangeni Site.		
5. Consumer deposits		
Electricity and Water	4,421,571	3,788,952
In terms of councils by-laws no interest is raised or paid.		
6. Trade Creditors		
Trade payables	41,599,149	24,087,101
Amounts received in advance	2,411,035	3,104,898
Accrued leave pay	2,435,786	2,414,800
Accrued audit fees	22,547	59,174
Other accrued expenses	29,501	23,228
Other payables	7,754,868	6,786,966
Total Creditors	54,252,886	36,476,167
7. Unspent conditional grants and receipts		
7.1 Conditional Grants from other spheres of government		
Department of Public Works	2,969,461	2,974,265
Department of Provincial and Local Government	1,198,875	1,411,855
Department of Sports & Recreation - Kwa-Zulu Natal	7,376,865	418,233
Department of Traditional & Local Government Affairs	20,937,657	22,040,177
Department of Water Affairs & Forestry	20,214,459	5,795,653
Department of Transport - Kwa-Zulu Natal	313,770	313,770
National Government - Municipal Infrastructure Grants	38,592,272	25,081,184
National Government - Other Grants	2,008,526	1,187,837
uMhlatuze Municipality	7,500,000	-
Conditional Grants from other spheres of Government	101,111,885	59,222,974
7.2 Other Conditional Grants		
European Union	-	278,144
United Nations Development Programme	81,409	428,356
Other Conditional Receipts	81,409	706,500
Total Conditional Grants and Receipts	101,172,274	59,929,474
See Note 18 for reconciliation of grants from other spheres of government.		
8. VAT		
VAT receivable	17,921,635	9,492,631

uThungulu District Municipality

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Figures in Rand	2008	2007
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9. Property, plant and equipment

	2008			2007		
	Cost / Valuation	Accumulate d depreciati on	Carrying value	Cost / Valuation	Accumulate d depreciati on	Carrying value
Leasehold property	9,550,000	-	9,550,000	9,550,000	-	9,550,000
Infrastructure - In construction	249,825,264	-	249,825,264	190,023,725	-	190,023,725
Infrastructure	128,816,989	(56,651,846)	72,165,143	96,466,929	(49,751,995)	46,714,933
Other assets - in construction	9,002,715	-	9,002,715	2,581,895	-	2,581,895
Other property, plant and equipment	41,521,338	(10,051,382)	31,469,956	39,252,292	(6,251,816)	33,000,475
Total	438,716,306	(66,703,228)	372,013,078	337,874,841	(56,003,811)	281,871,028

Reconciliation of property, plant and equipment - 2008

	Opening Balance	Additions	Capital under construction	Disposals	Transf ers	Depreciatio n	Total
Leasehold property	9,550,000	-	-	-	-	-	9,550,000
Infrastructure - In construction	190,023,725	-	59,801,539	-	-	-	249,825,264
Infrastructure	46,714,934	32,350,060	-	-	-	(6,899,851)	72,165,142
Other assets - In Construction	2,581,895	6,420,820	-	-	-	-	9,002,715
Other property, plant and equipment	33,000,476	2,591,583	-	(55,581)	-	(4,066,521)	31,469,957
	281,871,028	41,362,463	59,801,539	(55,581)	-	(10,966,372)	372,013,078

Reconciliation of property, plant and equipment - 2007

	Opening Balance	Additions	Capital under construction	Disposals	Depreciation	Total
Leasehold property	9,550,000	-	-	-	-	9,550,000
Infrastructure - In construction	128,301,128	-	61,863,697	-	-	190,023,725
Infrastructure	54,692,974	-	-	-	(6,821,536)	46,714,933
Other assets - in construction	384,683	-	2,056,112	-	-	2,581,895
Other property, plant and equipment	27,877,923	6,680,163	-	(149,236)	(2,564,881)	33,000,475
	220,806,708	6,680,163	63,919,809	(149,236)	(9,386,417)	281,871,028

Refer to Appendix B for more detail on property, plant and equipment, including those in the course of construction.

At present depreciation is calculated on a basis of the assets estimated useful life on the historical cost of the asset for infrastructure and other assets. Furthermore the municipality has not assessed the condition of infrastructure assets to

uThungulu District Municipality

Annual Financial Statements for the year ended 30 June 2008

Notes to the annual financial statements

Figures in Rand	2008	2007
9. Property, plant and equipment (continued)		
determine impairment, which will be done periodically in terms of the Municipality's asset management policy.		
The Municipality is in the process of itemizing all infrastructure assets and will recalculate accumulated depreciation once this exercise has been completed by 30 June 2009.		
Included in infrastructure assets are 132 Water Schemes transferred during the 2004/05 financial year from various local municipalities in terms of the Municipal Structures Act, 1998. These water schemes are stated at a nominal value of R1 for each scheme, pending the results of a professional valuation which will be completed during the 2008/09 financial year. The finalisation of this valuation will result in a significant increase (to be recognised in 2008/09) in fixed assets, with a corresponding increase in Government Grants and Contributions Reserve.		
The leased property forms part of the Municipality's headlease activity and cannot be realised until the headlease is settled. (Refer to Note 2, Obligations under finance headleases).		
At the end of the 2005/06 financial year the asset category, other assets, which were stated at cost per IMFO, were reviewed to assess the condition of the assets, and impaired accordingly.		
In accordance with General Notice 552 of 2007, exemption has been granted of the following standards including the extent of the exemption:		
Property, plant and equipment (GAMAP 17)		
Extent of exemption:		
Review of useful life of items of PPE recognised in the annual financial statements [paragraphs 59 – 61, and 77]		
Review of depreciation method applied to PPE recognised in the annual financial statements [paragraphs 62 and 77]		
Impairment of non-cash-generating assets [paragraphs 64 – 69 and 75(e)(v) – (vi)]		
Impairment of cash-generating assets [paragraphs 63 and 75(e)(v) – (vi)]		
Impairment of Assets (IAS 36/AC 128)		
Extent of exemption: Entire Standard		
The municipality will endeavour to comply with the above standards by 30 June 2009.		
10. Investments		
Held to maturity		
Promissory Notes	8,424,476	8,424,476
An investment in Promissory Notes was made by council, which were prohibited in terms of section 10 (G) 9(a) of the Local Government Transitional Act, of 1993.		
INCA Zero Coupon	15,077,902	13,497,398
The INCA Zero Coupon of R 7,963,350 was purchased by council in 2002/03 to be utilized as a guarantee on the R 21 million INCA loan. Interest of R 1,580,504 (2006/07 - R 1,411,175) at 11.35% was earned on the investment. The coupon matures on the 30th of June 2011.		
Subtotal	23,502,378	21,921,874
Held to maturity (impairments)	(8,424,476)	(8,424,476)
	15,077,902	13,497,398
Impairment provision		
The total investment of R 8,424,476 for Promissory Notes, is considered irrecoverable, as per council resolution No UDMC 1081.		
11. Long-term receivables		
- Loans to local municipalities	153,640	293,305

uThungulu District Municipality

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Notes to the annual financial statements

Figures in Rand	2008	2007
11. Long-term receivables (continued)		
- Staff home loans	1,355,929	1,559,236
- Staff vehicle loans	117,630	313,523
- Staff study loans	173,253	270,586
	<u>1,800,452</u>	<u>2,436,650</u>
Less: Current portion transferred to current receivables	(258,004)	(335,394)
Total long term receivable	1,542,448	2,101,256
 Current portion receivables		
- Loans to local municipalities	138,565	119,073
- Staff home loans	75,519	61,501
- Staff vehicle loans	43,920	154,820
	<u>258,004</u>	<u>335,394</u>

Loans to Municipalities

The loan to Umlalazi Municipality was provided on the 31st of December 1999, and interest at 15.75% is charged bi-annually with the final repayment due on the 30th of June 2009.

Car loans

Senior staff were entitled to car loans prior to 1 July 2004, which currently attracts interest at 8.5% per annum and which are repayable over a maximum period of 6 years. These loans are repayable by 2009.

Staff home loans

Housing loans were granted to qualifying staff prior to 1st July 2004. These loans attract interest per the fringe benefit interest rate as determined by the South African Revenue Services annually. These loans will be repayable in accordance with home loan agreements and range from 5 to 10 years.

Staff study loans

Study loans were provided to staff prior to 1st July 2004. These loans attract interest per the fringe benefit interest rate as determined by the South African Revenue Services annually.

12. Inventories

Consumables and maintenance materials	2,902,770	1,756,862
Water	183,428	127,888
	<u>3,086,198</u>	<u>1,884,750</u>

Exemption has been granted in terms of General Notice 552 of 2007 for GAMAP 12 Inventories. The extent of the exemption is as follows:

The entire standard as far as it relates to immovable capital assets inventory that is accounted for in terms of GAMAP 17.

The entire standard to the extent that it relates to water stock that was not purchased by the municipality.

The municipality will endeavour to comply with the standard on or before 30 June 2009.

uThungulu District Municipality

Annual Financial Statements for the year ended 30 June 2008

Notes to the annual financial statements

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13. Consumer debtors

	<u>Gross Balances</u>	<u>Provision for Bad Debts</u>	<u>Net Balance</u>
As at 30 June 2008			
Service debtors	17,663,837	(7,365,931)	10,297,906
Water	12,537,741	(5,229,811)	7,307,930
Electricity	158,674	(73,659)	85,015
Sanitation	3,976,844	(2,062,461)	1,914,384
Solid waste	990,578	-	990,577
Regional Service Levies	904,265	-	904,265
Prepaid Debtors	1,034,978	-	1,034,978
	19,603,080	(7,365,931)	12,237,149

	<u>Gross Balances</u>	<u>Provision for Bad Debts</u>	<u>Net Balance</u>
As at 30 June 2007			
Service debtors	16,620,585	(4,503,322)	12,117,263
Water	12,378,799	(3,232,491)	9,146,308
Electricity	356,505	(9,901)	346,604
Sanitation	2,810,573	(1,260,930)	1,549,643
Solid waste	1,074,708	-	1,074,708
Regional Service Levies	1,372,347	(13,593)	1,358,754
	17,992,932	(4,516,915)	13,476,017

(Electricity, Water and Sewerage): Ageing

Current (0 – 30 days)	3,022,042	4,392,361
31 - 60 Days	2,048,158	3,503,126
61 - 90 Days	1,552,649	843,034
91 - 120 Days	1,223,783	707,711
121 - 365 Days	9,817,204	7,174,353
	17,663,836	16,620,585

Regional Services Levies: Ageing

+ 365 Days	904,266	1,372,347
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uThungulu District Municipality

Annual Financial Statements for the year ended 30 June 2008

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Figures in Rand	2008	2007
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13. Consumer debtors (continued)

Summary of Debtors by Customer Classification	<u>Consumers</u>	<u>Industrial/ Commercial</u>	<u>National and Provincial Government</u>
As at June 30, 2008			
Current (0 – 30 days)	2,460,110	404,387	157,545
31 - 60 Days	1,263,704	291,484	492,970
61 - 90 Days	985,751	249,613	317,285
91 - 120 Days	6,849,856	1,442,414	2,748,717
Sub-total	11,559,421	2,387,899	3,716,517
Less: Provision for bad debts	(5,923,517)	(1,442,414)	-
	5,635,904	945,484	3,716,517

Summary of Debtors by Customer Classification	<u>Consumers</u>	<u>Industrial/ Commercial</u>	<u>National and Provincial Government</u>
As at June 30, 2007			
Current (0 – 30 days)	2,188,087	796,640	1,407,634
31 - 60 Days	2,307,821	873,030	322,275
61 - 90 Days	366,127	125,017	351,890
91 - 120 Days	4,409,181	899,560	238,649
121 - 365 Days	-	373,728	1,960,946
Sub-total	9,271,216	3,067,975	4,281,394
Less: Provision for bad debts	(3,643,280)	(860,042)	-
	5,627,936	2,207,933	4,281,394

14. Other Debtors

Other debtors	6,399,335	3,767,290
Deposits	1,949,783	1,211,334
Total other debtors	8,349,118	4,978,624

15. Call investment deposits

Call Deposits	190,000,000	170,000,000
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16. Bank balances and cash

The Municipality has the following bank accounts: -

Current Account (Old-Primary Bank Account)

ABSA Bank - Richards Bay

Account Number: 215 000 0079

Current Account - Primary account

uThungulu District Municipality

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Notes to the annual financial statements

Figures In Rand	2008	2007
16. Bank balances and cash (continued)		
NedBank - Richards Bay		
Account Number:145 408 8885		
Other Accounts		
ABSA Bank Account: 405 987 3153		
NedBank Account : 145 408 8893		
NedBank Account : 145 408 9016		
Cash and cash equivalents consist of:		
Cash on hand	3,200	3,200
Bank balances	50,682,160	30,378,404
	50,685,360	30,381,604
Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position :		
Cash book balance at beginning of year	30,378,404	91,843,386
Cash book balance at end of year	50,682,160	30,378,404
Bank statement balance at beginning of year	62,420,511	100,183,846
Bank statement balance at end of year	66,795,215	62,420,511
17. Service charges		
Sales of electricity	2,035,292	1,928,100
Sales of water	19,149,949	16,070,171
Refuse removal	5,569,917	5,645,459
Sewerage and sanitation charges	2,930,678	2,198,136
Cemetery revenue	591,855	291,192
	30,277,691	26,133,058
18. Government grants and subsidies		
Equitable share	57,101,476	48,798,224
Levy replacement grant	95,972,000	79,393,000
Municipal Infrastructure Grant and other Capital Grants	67,808,538	56,599,374
Department of Public Works	4,804	1,118,425
Department of Sport & Recreation	5,031,800	1,583,350
Department of Provincial Local Government	212,980	457,364
Department of Traditional and Local Government Affairs	6,149,220	2,573,403
Department of Water Affairs and Forestry	11,108,794	2,810,561
National Government - Other	867,099	1,129,391
Reimbursement Grants	-	23,281,191
	244,256,711	217,744,283

uThungulu District Municipality

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18.1. Equitable Share

In terms of the Constitution, this grant which is unconditional is used to subsidise the provision of basic services to the communities. These subsidies includes 6 kilo litre free basic water to the entire district with the exception of KZ 282, and 50 kilowatts for electricity, which is provided only in the town of Nkandla.

18.2. Municipal Infrastructure Grant

Balance unspent at beginning of year	25,081,184	19,088,053
Current year receipts	81,319,626	62,592,505
Conditions met - transferred to revenue	(67,808,538)	(56,599,374)
Conditions still to be met - transferred to liabilities	38,592,272	25,081,184

This grant is used to construct water and sewerage infrastructure as part of the upgrading of informal settlement areas. No funds have been withheld.

18.3. Department of Public Works Grants

Balance unspent at beginning of year	2,974,265	4,092,690
Conditions met - transferred to revenue	(4,804)	(1,118,425)
Conditions still to be met - transferred to liabilities	2,969,461	2,974,265

This grant is used to construct water and sewerage infrastructure as part of the upgrading of informal settlement areas. No funds have been withheld.

18.4. Department of Sport & Recreation

Balance unspent at beginning of year	418,233	876,583
Current year receipts	11,990,432	1,125,000
Conditions met - transferred to revenue	(5,031,800)	(1,583,350)
Conditions still to be met - transferred to liabilities	7,376,865	418,233

Provincial Department of Sport & Recreation Projects grants are used to construct Sports & Swimming Pools in Nkandla. This grant also includes funding for the 2010 sports stadium that will be constructed by the municipality. The grant is spent in accordance with a business plan approved by the Provincial Government. No funds have been withheld.

uThungulu District Municipality

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Figures in Rand	2008	2007
18.5 Department of Provincial and Local Government		
Balance unspent at the beginning of year	1,411,855	1,869,219
Conditions met - transferred to revenue	(212,980)	(457,364)
Conditions to be met - transferred to liabilities	1,198,875	1,411,855
The Department of Provincial and Local Government grants are used :		
:- To build capacity within the District in order to perform functions as per legislature.		
:- For drought and flood relief and infrastructure.		
18.6 Department of Traditional and Local Government Affairs		
Balance unspent at the beginning of the year	22,040,177	11,093,580
Current year receipts	5,046,700	13,520,000
Conditions met - transferred to revenue	(6,149,220)	(2,573,403)
Conditions to be met - transferred to liabilities	20,937,657	22,040,177
The Department of Traditional and Local Government grants are used :		
:- To build capacity within the District in order to perform functions as per legislature.		
:- For disaster programmes, fire fighting equipment, water service delivery planning, shares services unit and infrastructure.		
18.7 Department of Water and Forestry		
Balance unspent at the beginning of the year	5,795,653	7,297,384
Current year receipts	25,527,600	1,308,829
Conditions met - transferred to revenue	(11,108,794)	(2,810,560)
Conditions to be met - transferred to liabilities	20,214,459	5,795,653
The Department of Water Affairs and Forestry are used for:		
:- Water infrastructure and sanitation projects.		
:- Drought relief and disaster relief programmes.		
18.8 Department of Transport (Kwa-Zulu Natal)		
Balance unspent at the beginning of the year	313,770	113,770
Current year receipts	-	200,000
Conditions to be met - transferred to liabilities	313,770	313,770
The Department of Transport Grant is used for:		
:- The development of the Public Transport Plan.		
18.9 National Treasury - Other grants		
Balance unspent at the beginning of the year	1,187,837	817,228
Current year receipts	1,500,000	1,500,000
Conditions met - transferred to revenue	(679,311)	(1,129,391)
Conditions to be met - transferred to liabilities	2,008,526	1,187,837

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The National Treasury - Other Grants are used for:		
:- To promote and support reforms to municipal financial management and the implementation of the Municipal Finance Management Act.		
:- To assist the municipality to perform their functions and stabilise institutional and government systems as required in the Municipal Systems Act.		
18.10 uMhlathuze Municipality - Other grants		
Current year receipts	7,500,000	-
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The uMhlathuze Municipality Grants - are used for:		
:- To build the 2010 sports stadium in the District.		
18.11 Changes in levels of government grants		
Based on the allocations set out in the Division of Revenue Act, (Act 2 of 2007), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.		
19. Other income		
Shared services revenue	250,000	440,000
Public contribution	683,758	4,316,585
Other Income	4,982,396	441,549
	5,916,154	5,198,134
<hr/>		
20. Interest revenue		
Interest earned - external investments	26,562,568	17,967,627
Interest earned - outstanding debtors	311,162	452,844
	26,873,730	18,420,471
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21. Operating profit		
Loss on sale of property, plant and equipment	(55,581)	(75,943)
Depreciation on property, plant and equipment	10,966,372	9,386,416
Employee costs	49,998,934	40,217,363
<hr/>		
22. Employee related costs		
Employee related costs - Salaries and Wages	35,962,243	28,865,682
Employee related costs - Contributions for UIF, pensions and medical aids	6,312,336	5,472,162
Travel, motor car, and other allowances	4,190,707	3,564,597
Housing benefits and allowances	1,236,635	630,292
Overtime and relief payments	2,297,013	1,684,630
	49,998,934	40,217,363
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There were no advances to employees. Loans to employees are set out in note 11.

uThungulu District Municipality

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Remuneration of senior management (continued)

Remuneration of the Municipal Manager

Annual Remuneration	677,897	668,351
Performance Bonus	101,187	114,111
Car Allowance	259,103	233,280
Contributions to UIF	1,411	1,435
	1,039,598	1,017,177

Remuneration of the Deputy Municipal Manager

Annual Remuneration	646,947	573,868
Performance Bonus	109,751	107,310
Car Allowance	297,065	291,602
Contributions to UIF	1,511	1,435
	1,055,274	974,215

Remuneration of Individual Executive Directors

Technical Services

Annual Remuneration	596,929	773,741
Performance Bonus	33,403	103,737
Car allowance	149,229	142,124
Contributions to UIF, Medical and Pension funds	1,678	15,835
	781,239	1,035,437

The Executive Director: Technical Services resigned from his position at the end of January 2007(2006/07), which resulted in a payout of his outstanding leave of R 215,088 which is included in the annual remuneration expense above.

During the later part of 2006/07 a replacement incumbent was appointed to that position.

Corporate Services

Annual Remuneration	753,814	558,393
Performance Bonus	100,755	92,326
Car allowance	179,771	170,153
Contributions to UIF	1,511	1,435
	1,035,851	822,307

Chief Financial Officer

Annual Remuneration	743,804	646,562
Performance Bonus	107,990	103,737
Car Allowance	91,521	82,339
Contributions to UIF, Medical and Pension funds	1,511	1,435

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Remuneration of senior management (continued)

944,826	834,073
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23. Remuneration of councillors

Total Councillors' Remuneration

Mayor	428,711	627,864
Deputy Mayor	371,084	379,473
Speaker	366,643	347,134
Executive councillors	1,665,911	1,620,974
Councillors	1,540,521	1,116,207
Councillors' pension contribution	367,240	323,435
	4,740,110	4,415,087

In-kind Benefits:

The Mayor, Deputy Mayor, Speaker and Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council which is included with other expenditure in the Statement of Financial Performance. During the year there was a change in the Mayoral position and included in the remuneration of the mayor, for 2007/08 financial year is an amount of R 68,744.90 for travel claims reimbursed to the previous Mayor. The municipality is leasing a vehicle at cost to Council for the Mayor which is included with other expenditure in the Statement of Financial Performance.

24. Finance Cost

Interest paid - long term liabilities	7,856,385	7,539,127
Finance cost - fair value adjustments	-	2,249
	7,856,385	7,541,376

25. Bulk Purchases

Electricity	7,488,700	3,324,023
Water	4,406,056	3,971,930
	11,894,756	7,295,953

26. Grants and Subsidies

KZ 282 Umhathuze Municipality	966,250	879,612
KZ 284 Umlalazi Municipality	548,264	404,888
	1,514,514	1,284,500

During the 2006/07 and 2007/08 financial year, the grants payable were for environmental health services for the function that was performed by the local municipalities.

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27. General expenses

Included in general expenses are the following cost items :-

Fuel and oil	1,795,559	1,541,448
IDP operational externally funded projects	33,812,028	20,756,204
IDP operational internal funded projects	50,790,377	31,493,506
Publicity	1,025,773	914,679
Rent - Plant and vehicles	2,645,009	1,773,852
Telephone	1,074,006	1,048,491
External audit fees	1,297,033	1,016,088
Insurance	1,742,156	1,436,818
Subsistence & Travelling	940,360	758,258
Advertisements	803,010	386,210
Grants and Donations	483,359	21,535
Other general expenses	7,587,150	6,536,115
	103,995,820	67,683,204

28. Cash generated from operations

Surplus for the year	49,215,460	71,532,989
Adjustments for:		
Loss on sale of assets	55,581	75,943
Interest received	(26,873,730)	(18,420,471)
Interest paid	7,856,385	7,541,376
Movements in provisions	32,716,560	(221,634)
Contribution to bad debt provision	3,066,528	172,314
Depreciation and amortisation	10,966,372	9,386,416
Changes in working capital:		
(Increase) In Inventories	(1,201,448)	(1,313,583)
(Increase) / Decrease In other debtors	(3,370,494)	(1,304,248)
(Increase) In debtors	(1,827,660)	(3,780,438)
(Decrease) / Increase in creditors	17,776,719	(3,624,398)
Increase in conditional and other grants	41,242,800	14,526,203
(Increase) in Vat	(8,429,004)	(455,611)
	121,194,069	74,114,858

29. Cash and cash equivalents

Cash and cash equivalents included in the cashflow statement comprise the following statement of amounts indicating financial position:

Call investment deposits - Current portion	190,000,000	170,000,000
Bank balances	50,682,160	30,378,404
Cash on hand	3,200	3,200
	240,685,360	200,381,604

30. Unauthorised, irregular, fruitless and wasteful expenditure disallowed

Unauthorised expenditure

uThungulu District Municipality

Annual Financial Statements for the year ended 30 June 2008

Notes to the annual financial statements

Figures in Rand	2008	2007
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There are no known incidences of unauthorised expenditure.

Fruitless and wasteful expenditure

There are no known incidences of fruitless and wasteful expenditure.

31. Additional disclosure in terms of Municipal Finance Management Act

32.1 Contributions to organized local government

Council subscriptions	257,872	191,833
Amount paid - current year	(257,872)	(191,833)
Balance unpaid (Included in creditors)	-	-

32.2 Audit fees

Current year audit fee	1,300,000	1,232,460
Amount paid - current year	(171,318)	(133,151)
Amount paid - previous years	(1,106,135)	(1,040,135)
Balance unpaid (Included in creditors)	22,547	59,174

32.3 VAT

VAT inputs receivables and VAT outputs receivables are shown in note 8.
All VAT returns have been submitted by the due date throughout the year.

32.4 PAYE and UIF

Current year payroll deductions	7,285,113	5,228,239
Amount paid - current year	(7,285,113)	(5,228,239)
Balance unpaid (Included in creditors)	-	-

32.5 Pension and Medical Aid Deductions

Current year payroll deductions and Council Contributions	5,877,261	5,204,080
Amount paid - current year	(5,877,261)	(5,204,080)
Balance unpaid (Included in creditors)	-	-

32. Commitments

Commitments in respect of capital expenditure:

uThungulu District Municipality

Annual Financial Statements for the year ended 30 June 2008

Notes to the annual financial statements

Figures in Rand	2008	2007
32. Commitments (continued)		
- Approved and contracted for		
• Infrastructure	88,878,690	32,619,445
• Other property, plant and equipment	33,197,794	1,938,081
	122,076,484	34,557,526
- Approved but not yet contracted for		
• Infrastructure	-	7,760,628
	-	7,760,628
This expenditure will be financed from:		
- Government Grants	79,707,234	36,184,359
- Own resources	42,369,250	6,133,795
	122,076,484	42,318,154

The outstanding commitments relate to capital projects and other assets that have been committed by order, by the Bid Adjudication Committee and Executive committee prior to 30th June. The majority of the capital projects include water infrastructure.

33. Contingencies

Future legal fees

1. Contractor - outstanding invoice claimed (Matter pending)	-	80,000
2. Contractor (Matter pending)	-	10,000
3. Ex - employee - legal action (Matter in Durban High Court)	-	80,000
4. Contractor (Matter pending)	-	80,000
5. Contractor (Matter pending)	-	599,506
	-	849,506

1. The municipality is being sued by a contractor for work that the contractor alleges to have completed.
2. The municipality is suing the contractor for poor performance on a project.
3. The municipality has legal action against an ex-employee that made an illegal investment.
4. The municipality is suing the contractor for incompleteness of work on a project.
5. Dispute with the contractor, as the consultant increased the scope of work without prior approval from the municipality.

34. Related parties

Related party transactions

Sub-Lease Payments

Uthungulu Financing Partnership	3,368,625	3,007,701
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uThungulu District Municipality

Annual Financial Statements for the year ended 30 June 2008

Notes to the annual financial statements

Figures in Rand	2008	2007
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34. Related parties (continued)

uThungulu Financing Partnership is a partnership between uThungulu District Municipality, NIB9810 Trust and Nedcor. uThungulu District Municipality as at 30 April 2008 holds 99% and Nedcor and NIB9810 holds the balance of 1%. The uThungulu Financing Partnership was formed to facilitate the purchase of uThungulu House in order to provide offices for uThungulu District Municipality. In order to finance the purchase of uThungulu House, the partnership entered into a loan agreement with Nedcor. In terms of the sub-lease agreement, uThungulu District Municipality is obliged to make bi-annual sub lease payments to the partnership to reimburse uThungulu Financing Partnership for the loan repayments made to Nedcor. The loan is payable over 20 year period (starting in 1998 - 2017), however Uthungulu had the option to terminate the lease on 30 April 2008.

35. Events after reporting date

At the date of submission of the annual financial statements there are no known events.

36. Comparison with budget

The comparison of the Municipality's actual financial performance with that budgeted is set out in Annexures E(1) and E(2).

APPENDIX A

UTHUNGULU DISTRICT MUNICIPALITY: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2008

	Redeemable Rand	Balance at 30 June 2007 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2008 Rand	Carrying Value of Property, Plant & Equip Rand
LONG-TERM LOANS ANNUITY LOAN						
INCA @ 16.8%	10/31/2007	41,556	-	41,556	-	-
INCA @ 13.95%	12/31/2014	21,000,000	-	-	21,000,000	21,000,000
		21,041,556	-	41,556	21,000,000	21,000,000
LEASE LIABILITY						
Leased Property @ 23.8%	3/31/2017	20,531,545	1,609,588	-	22,141,133	9,650,000
		20,531,545	1,609,588	-	22,141,133	9,650,000
TOTAL EXTERNAL LOANS						
ANNUITY LOAN		21,041,556		41,556	21,000,000	21,000,000
LEASE LIABILITY		20,531,545	1,609,588	-	22,141,133	9,650,000
		41,573,101	1,609,588	41,556	43,141,133	30,650,000

APPENDIX B
UTHUNGULU DISTRICT MUNICIPALITY : ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2008

	Cost/Revaluation				Accumulated Depreciation			Carrying Value
	Opening Balance	Additions	Disposal	Closing Balance	Current	Disposals	Closing Balance	
Land and Buildings								
Land								
Buildings								
Infrastructure - In Construction								
Water Mains and purification	190,023,724	59,801,536	-	249,825,262				249,825,262
	190,023,724	59,801,536	-	249,825,262				249,825,262
Infrastructure								
Infrastructure Land Services	2,936,026			2,936,026			-	2,936,026
Infrastructure Solid Waste Services	40,879,690			40,879,690	4,762,037		23,610,166	17,089,502
Waste Site Rehabilitation	-	32,350,060		32,350,060			-	32,350,060
Waste Site Empangeni	-			-			-	-
Waste Site Empangeni - Land	-			-			-	-
Infrastructure Sewerage Services	18,668,358			18,668,358	979,233		8,826,565	9,741,793
Sewerage Mains & Purl	-			-			-	-
Water Mains & Purification	-			-			-	-
Infrastructure Water Services	13,801,912			13,801,912	410,464		10,146,548	3,456,364
Water Network	16,976,901			16,976,901	744,627		10,383,245	6,593,656
Infrastructure Plant and Equipment	1,064,639			1,064,639	3,489		1,066,897	17,742
Infrastructure Electricity	2,419,402			2,419,402	-		2,419,402	-
	96,466,928	32,350,060	-	128,816,988	6,896,850	-	38,691,845	72,164,143
Other assets in construction								
Cemetery - Buildings	710,376	416,634		1,129,010				1,129,010
uThungulu Buildings	1,730,420	5,966,360		7,716,780				7,716,780
uThungulu Disaster		162,962		162,962				162,962
uThungulu Cemetery	141,100			141,100				141,100
	2,581,896	6,585,956	-	9,151,852	-	-	-	9,151,852
Other assets								
Motor Vehicles	7,668,133	552,367	-249,188	7,972,312	1,061,901	-212,263	3,351,188	4,621,124
Computer Equipment	6,572,865	1,362,977	-23,962	7,911,900	2,246,909	-18,547	4,534,402	3,377,498
Land and Buildings	20,114,114	-		20,114,114	-		-	20,114,114
Leasehold Property	9,550,000			9,550,000			-	9,550,000
Buildings	-			-			-	-
Permanent Works - Buildings	-			-			-	-
Cemetery Land	-			-			-	-
Furniture, Fittings and Office Equipment	-			-			-	-
Office Equipment	1,947,764	287,020	-49,367	2,185,397	332,486	-35,318	978,841	1,206,566
Furniture	1,971,542	123,056	-	2,094,597	236,787	-808	906,963	1,185,634
Technical Equipment	-			-			-	-
Plant and Equipment	976,854	117,029		1,093,883	167,439		277,989	816,444
	48,902,292	2,442,448	-322,537	50,999,203	4,698,822	-264,966	10,661,383	40,670,820
Total carried forward	337,674,840	101,164,002	-322,537	438,716,305	10,996,372	-266,966	68,703,228	372,013,077

APPENDIX C

UTHUNGULU DISTRICT MUNICIPALITY : ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2008

	Cost/Revaluation				Accumulated Depreciation				Carrying Value
	Opening Balance	Additions Rand	Disposal Rand	Closing Balance Rand	Opening Balance Rand	Reciation/Impair Rand	Disposals	Closing Balance	
Executive & Council	3,748,050	95,343	-	3,841,393	1,657,450	-	266,956	1,390,494	2,450,899
Finance & Admin	31,945,557	7,860,115	322,537	39,483,135	1,910,746	406,872	-	2,317,618	37,165,517
Planning & Development	170,871	31,414	-	202,085	-	-	-	-	202,085
Community & Social Services	3,698,925	418,634	-	4,015,569	129,964	-	-	129,964	3,885,605
Public Safety	3,127,280	592,978	-	3,720,258	-	-	-	-	3,720,258
Waste Management	43,778,670	32,350,060	-	76,128,730	19,048,152	4,824,380	-	23,872,532	52,256,198
Water	230,147,796	59,801,538	-	289,949,334	22,990,766	5,713,737	-	28,704,503	261,244,831
Electricity	2,419,402	-	-	2,419,402	2,419,402	-	-	2,419,402	-
Waste Water	18,942,489	13,920	-	18,956,409	7,847,332	21,363	-	7,868,715	11,087,694
	337,874,840	101,164,002	322,537	438,716,305	56,063,612	10,968,372	266,956	66,793,220	372,013,077

APPENDIX D

**UTHUNGULU DISTRICT MUNICIPALITY: SEGMENTAL STATEMENT OF
FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2008**

2007 Income Year to date Rand	Actual Expenditure Year to date Rand	2007 Actual Expenditure Year to date Rand	2007 Surplus / (Deficit) Rand		2008 Actual Income Year to date Rand	2008 Actual Expenditure Year to date Rand	2008 Surplus / (Deficit) Rand
		16,527,224	-16,527,224	Executive & Council	-	18,358,201	-18,358,201
207,020,162		25,996,934	181,023,228	Finance & Admin	221,290,558	29,883,897	191,406,660
-		10,120,874	-10,120,874	Planning & Development	-	19,298,051	-19,298,051
291,192		6,387,437	-6,096,245	Community & Social Services	591,855	11,642,368	-11,050,512
-		6,564,688	-6,564,688	Public Safety	-	8,429,900	-8,429,900
-		1,630,712	-1,630,712	Environmental Protection	-	2,302,799.0	-2,302,799
5,645,459		16,164,980	-10,519,521	Waste Management	5,689,917	13,186,162	-7,616,245
1,934,297		2,212,484	-278,187	Electricity	2,040,081	2,389,221	-349,140
2,221,760		13,730,995	-11,509,235	Waste Water	3,010,495	17,062,339	-14,051,844
65,227,464		111,471,017	-46,243,553	Water	76,370,045	137,104,753	-60,734,708
282,346,334		210,007,345	71,532,989		308,572,962	299,657,482	49,215,480

APPENDIX E(1)

UTHUNGULU DISTRICT MUNICIPALITY: ACTUAL VERSUS BUDGET (REVENUE & EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2008					
	2008 Actual Bal Rand	2008 Bud Amount Rand	2008 Variance Rand	2008 Variance	Explanation of Significant Variance greater than 10% versus Budget
Revenue					
Service Charges	30,277,881	32,758,000	-2,480,309	-8%	
Regional Services Levies - Turnover	848,594	-	848,594	100%	Includes collection of outstanding declarations from previous years.
Regional Services Levies - Remuneration	384,376	-	384,376	100%	Includes collection of outstanding declarations from previous years.
Rental of Facilities	317,888	393,000	-75,304	-19%	Rentals reduced due to tenants relocating
Interest Earned - external investments	28,582,588	7,892,000	18,870,988	245%	Investment received is dependent on available funding resources for work on progress
Interest Earned - external investments	311,182	200,000	111,182	56%	Staff loans such as vehicles and home loans
Government grants and subsidies	244,250,711	243,379,000	877,711	0.4%	
Other Income	5,916,154	-	5,916,154	100%	Funds received from the uthungulu house funds received from Inco
Loans	-	55,000,000	-55,000,000	-100%	Loans budgeted were not taken during the year
	308,872,882	338,422,000	-30,549,648	-9%	
Expenses					
Executive & Council	-18,358,201	-22,141,000	3,782,799	-17%	General Savings
Finance & Admin	-29,883,897	-29,419,000	-468,897	2%	
Planning & Development	-19,298,051	-9,378,000	-9,922,051	108%	The 2010 project has been the major expense and Tourism projects
Community & Social Services	-11,842,368	-12,435,000	792,632	-6%	
Public Safety	-8,429,800	-7,892,000	-737,800	10%	
Environmental Protection	-2,302,799	-2,748,000	446,201	-16%	Environmental Health grants were provided for UMhlangeni & UMhlatshuze, there was also a saving
Waste Management	-13,186,162	-9,580,000	-3,626,162	38%	Includes costs for transfer stations and depreciation for the solid waste
Electricity	-2,389,221	-2,178,000	-211,221	10%	
Waste Water	-17,062,339	-20,829,000	3,766,661	-18%	There are sanitation projects which were started very late.
Water	-137,104,753	-118,241,000	-18,863,753	16%	This is largely due to depreciation and drought related expenses
	-259,887,492	-234,816,000	-25,041,492	11%	

APPENDIX E(2)

**UTHUNGULU DISTRICT MUNICIPALITY: ACTUAL VERSES BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED
30 JUNE 2008**

	Additions Rand	Under Construction Rand	Total Additions Rand	Budget Rand	Variance Rand	Variance %	Explanation of Significant Variances greater than 5% versus Budget
Property, Plant & Equipment							
Executive & Council	95,343		95,343	10,000	85,343.00	853%	Additional expenditure due to purchase of furniture for Councillors
Finance & Administration	1,280,159	6,569,956	7,850,115	11,843,000	-3,982,885.00	-34%	The balance of these funds has already been committed for the construction of the municipal building.
Planning & Development	31,414		31,414	40,000	-8,586.00	-21%	Savings.
Community & Social Services	-	418,634	418,634	380,000	38,634.00	10%	Additional expenditure for the Building at the Cemetery
Public Safety	592,978		592,978	-	592,978.00	100%	This was as a result of Grant funding received from the Provincial Government for 4 Trailers
Water	-	59,801,538	59,801,538	87,533,000	-27,731,462.00	-32%	The balance of these funds has already been committed for ongoing water projects.
Waste Management	-	32,350,060	32,350,060	20,000,000	12,350,060.00	62%	This is the adjustment of the Rehabilitation of the Solid Waste site in Empangeni
Waste Water	13,920		13,920	-	13,920.00	100%	This was an unavoids capital expenditure
	2,023,814	69,140,188	101,164,002	119,806,000	-18,641,998.00	-16%	

APPENDIX F

UTHUNGULU DISTRICT MUNICIPALITY: DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Name of Grant & Vote	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act
		Mar 07	June 07	Sept 07	Dec 07	Mar 08	Mar 07	June 07	Sept 07	Dec 07	Mar 08	
Municipal Development Info Service	DTLGA					1,000,000						Yes
Kwa Sukanyiso Tourism Development	DTLGA		111,442									Yes
Energy Sector Plan/WEDS	DTLGA		350,000									Yes
Regional Bulk Water	DTLGA	3,000,000								411,534	338,125	Yes
Technical Support/Infrastructure Backlog	DTLGA			990,000								Yes
e7S Capacity Assessment	DTLGA		200,000									Yes
Integrated Dev Infrastructure	DTLGA		120,000									Yes
Facilitate Water Service Delivery Plan	DTLGA		250,000									Yes
Drought Relief	DWAF					4,500,000						Yes
Greater Mthunjaneni Water Reticulation	DWAF					11,000,000					968,772	Yes
Institutional Support & capacity building	DWAF		700,189							72,273	22,900	Yes
Transport Plan	KZN - DOT		200,000									Yes
Nkandla Swimming Pool	KZN - DSR					745,218				329,859	1,038,338	Yes
Soccer Stadium	KZN - DSR			500,000	1,000,000	8,000,000					827,842	Yes
2018 Multi Purpose Sports Stadium	KZN - DSR					1,000,000						Yes
		3,000,000	1,531,631	1,490,000	1,000,000	26,345,218	-	-	-	813,866	3,188,076	

Note: (No Grants & Subsidies were delayed/ withheld)

This excludes allocations from the equitable share and levy replacement Grant

KZN - DSR = Department of Sports KwaZulu Natal

KZN - DOT = Department of Transport KwaZulu Natal

DTLGA = Department of Traditional & Local Government Affairs, DWAF = Department of Water & Forestry Affairs

DWAF = Department of Water Affairs & Forestry